The ARV - After Repair Value

Hey guys, welcome back to the course.

In this lecture we'll cover some of the most important terms and concepts around analyzing wholesaling deals.

The term we'll start off with is the ARV, or affectionately called the After Repair Value.

You can think of this as the price that a homebuyer is willing to buy the house for in the open market, after all necessary repairs are made.

So AFTER a flip investor has gone in and done all the rehab work, how much could they realistically expect to sell it for?

We start of with this because this will ultimately dictate how much you should offer on a deal.

NEVER start looking at deal by thinking... “how much can I afford to pay for this” and then working your way UP to a sale price.

Instead you ALWAYS start with the ARV and then work your way DOWN to what is the most you should be willing to pay.

But a couple of key questions follow:

First: What needs to be done in order for the house to be able to achieve that ARV?

Does it need a new roof, kitchen, HVAC, pipes, fixing foundation?

Depending on WHAT needs to be done, the COST of the rehabs could vary greatly.

Second: How do you actually arrive at an accurate ARV?

Well, you do that by looking at market comps.

That is, you look at what similar properties have RECENTLY sold for, properties that are in the condition that your property will be in AFTER repairs.

But they have to be similar.

You can't compare 4bed/2bath house with your subject property if your property is a 2bed/1bath house.

Also, the more recent the transaction and the closer the comp is located to your subject property the better.

For urban markets, try to find comps on the same block if possible and no more than 1 mile away. For rural markets, try to find comps within 5 miles if possible.

Also, ideally, the comps should be no more than 3 months old.

If you're having a hard time finding enough comps, play with one of the two levers you have—distance vs time.

You might extend the coverage from 3 months to 6 months. Or go from 1 mile out to 2 miles out.

The comps won't be ideal but it's better than not having any comps. Where do you find the comps?

Best is to work with an agent and have them give you a list of recent sold properties in the market. Also have them note any all cash deals (these will give you an idea of the wholesaling prices in the market as well).

A less accurate but workable option is to use online sites like Zillow to give a rough estimate of comps. Sites like Zillow are great for big markets where they have ALOT of data. But for non core

markets, their estimates might be really off.